

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

March 1, 2021

8:03 a.m.

MEMBERS PRESENT

Representative Harriet Drummond, Co-Chair (via teleconference)
Representative Andi Story, Co-Chair
Representative Tiffany Zulkosky (via teleconference)
Representative Grier Hopkins (via teleconference)
Representative Mike Prax (via teleconference)
Representative Ronald Gillham (via teleconference)
Representative Mike Cronk (via teleconference)

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION(S): STUDENT ENROLLMENT COUNTS & COVID-19 FEDERAL
RELIEF FUNDING

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

HEIDI TESHNER, Director
Finance and Support Services Division
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation
regarding student enrollment counts and COVID-19 federal relief
funding for fiscal year 2021.

LACEY SANDERS, Director
Administrative Services Section
Department of Education and Early Development
Juneau, Alaska

POSITION STATEMENT: Provided the portion of DEED's PowerPoint
presentation titled "COVID-19 K-12 Federal Relief Funding
Overview."

ACTION NARRATIVE

8:03:39 AM

CO-CHAIR ANDI STORY called the House Education Standing Committee meeting to order at 8:03 a.m. Representatives Cronk, Zulkosky, Hopkins, Gillham, Drummond (all via teleconference), and Story were present at the call to order. Representative Prax (via teleconference) arrived as the meeting was in progress.

PRESENTATION(S): Student Enrollment Counts & COVID-19 Federal Relief Funding

8:06:46 AM

CO-CHAIR STORY announced that the only order of business would be a presentation on "Student Enrollment Counts & COVID-19 Federal Relief Funding."

CO-CHAIR STORY said the presentation, given by the Department of Education and Early Development (DEED), was started on 3/24/21 and would be completed today. She related her appreciation for Alaska's teachers and the challenges they face transitioning to remote learning.

8:08:22 AM

HEIDI TESHNER, Director, Finance and Support Services Division, Department of Education and Early Development, provided the remainder of the PowerPoint presentation regarding student enrollment counts and COVID-19 federal relief funding for fiscal year 2021 (FY 21) [hard copy included in the committee packet]. She reminded committee members that [at the House Education Standing Committee meeting on 3/24/21] she had talked about the overall foundation formula, where it started, the count period, and an analysis of some initial counts. She said that today she would be discussing the foundation formula itself.

MS. TESHNER turned to slide 7, titled "Hold Harmless Provision," and stated that House Bill 273, enacted in 2018, established a hold harmless provision for those school districts experiencing a reduction in their brick-and-mortar school's average daily membership (ADM) after it had been adjusted for school size in the foundation formula. She explained that eligibility for hold harmless is determined after a district's adjusted-for-school-size ADM is calculated in total for all schools; it is a

district-wide adjustment, not by school. She further explained that the sum total of a district's adjusted-for-school-size ADM is compared to the prior fiscal year's total adjusted-for-school-size ADM to determine if a decrease of 5 percent or greater has occurred. If that answer is yes, then the prior fiscal year is locked in as the base year for the next three years. She said, "The new school size adjustment, with hold harmless, continues through the formula adjustments." This results in about 75 percent of the basic need calculation being restored in that first year. The hold harmless provision is available to school districts over a three-year step-down of 75 percent in the first year, 50 percent in the second year, and 25 percent in the final year, provided the adjusted-for-school-size ADM stays below the established base year.

CO-CHAIR STORY asked how many of Alaska's 50-plus districts are in hold harmless.

MS. TESHNER replied that for FY 21 there are 32 districts in hold harmless.

MS. TESHNER returned to slide 7 and explained that the three-year step-down allows time for the districts budgets to adjust to the decreased funding that comes with the reduction in the brick and mortar ADM. This provision, she noted, was put into place to help with yearly fluctuations, not necessarily for a pandemic like what is now being experienced this past year.

[8:12:53 AM](#)

REPRESENTATIVE HOPKINS requested Ms. Teshner provide the committee with the names of the 32 school districts as well as how many students they have lost. He inquired about the seven school districts hardest hit by loss of student enrollment.

MS. TESHNER agreed to provide a list of the 32 districts for FY 21 that are in hold harmless, along with the enrollment reduction and the school size adjusted ADM. She said the seven hardest hit districts are looking at the FY 21 foundation compared to the money that districts received through the state's Coronavirus Aid, Relief, and Economic Security (CARES) Act. Between that and their fund balance they were showing a deficit, she explained, and DEED is trying to identify districts that are still potentially in the red in revenue because of fluctuations in enrollment.

[8:15:18 AM](#)

CO-CHAIR STORY said the committee has heard from many groups that it would be preferred if the districts would use the FY 20 enrollment numbers in planning for next year. She asked Ms. Teshner to explain why DEED doesn't think that is the solution.

MS. TESHNER answered that statute does not allow the department to change the count period or choose the count that can be used to pay and calculate the state aid that comes through the foundation formula. She said statute is very clear that budget projections are submitted in the November prior to the fiscal year in order for DEED to be able to present a budget number for the governor's budget. It is very clear that there is a 20-day count period in October ending the fourth Friday in October that is the first step in determining a district's state aid amount in the foundation formula. So, she added, it's outside DEED's purview to pay anything beyond what is laid out in statute.

CO-CHAIR STORY offered her understanding that statute allows for the commissioner to hold a second count period at a different time.

MS. TESHNER confirmed there have been talks of a second count period. The original count period is a lengthy process that takes 30-60 days, she explained, including the time to clear and review the counts submitted by the districts. A second count period would be more feasible if the state had a real-time system where districts could add data regularly, she said, but DEED has one person who runs this program, so no capacity to do a second count period.

CO-CHAIR STORY commented that COVID-19 is still active, and schools are not all back to in-person enrollment, so it is hard to get a count for the fall. But, she added, it would be helpful to get a second count.

MS. TESHNER clarified that the projections DEED gets in the previous November are based on what each district feels it's going to look like in the district the following year. For example, she said, this past November is for FY 22, and that following count period is what DEED will actually pay for FY 22. So, it gets trued up based on what actually happens.

CO-CHAIR STORY reflected that in her experience as a former school board member the board set its fall projections in the spring while doing its budgeting. Every school district is working from what it thinks it will have based on its planning.

8:19:27 AM

MS. TESHNER resumed her presentation. She turned to slide 8, titled "Public School Funding Formula," and explained that after the count period data is reported, the ADM for each school in the district is calculated by applying the school size factor to that student count according to the table in AS 14.17.410. The product of that calculation is then used as a factor in the next step of the formula. She said slide 8 shows the steps and statutory citations for determining a district's average daily membership: First taken is the ADM and next is the school size table. Between the school size table and the district cost factors, which are not reflected here, is where the department looks at hold harmless and determines eligibility for all districts. From there the department multiplies the district factor, then the special needs factor 20 percent add-on, the vocational education factor, the special education intensives which is 13 times the base student allocation per student, and then the 90 percent correspondence ADM is added in. All of that added up determines the district's adjusted average daily membership. She drew attention to the 8-page overview document in the committee packet, which provides a detailed walk through of each of the steps on slides 8 and 9, both slides titled "Public School Funding Formula."

8:21:28 AM

REPRESENTATIVE PRAX inquired about availability of the criteria for the special education intensives.

MS. TESHNER agreed to provide that requirement along with the details for that requirement.

MS. TESHNER noted that slide 9 depicts the remaining components and multipliers for determining state aid. She explained that the district's adjusted ADM is multiplied by the base student allocation (BSA), which is \$5,930, to determine the basic need. Basic need is paid out of three components: the required local contribution for all cities and boroughs, the deductible impact aid, and state aid. Next the quality schools grant is added in, which is \$16 times the adjusted ADM, and this determines the state aid entitlement that is paid to each district. She noted that the required local contribution is only for cities and boroughs; the Regional Educational Attendance Area (REAA) districts do not have a required local contribution. She further noted that not all districts participate in or receive

impact aid funding. She pointed out that all of the factors within the formula are in statute, so any change requires the legislature's action.

[8:23:32 AM](#)

CO-CHAIR STORY asked what year the base student allocation (BSA) of \$5,930 was last adjusted.

MS. TESHNER answered by bringing attention to slide 10, titled "Base Student Allocation (BSA) Funding," that gives a historical look at the BSA. She noted that the BSA was moved from \$5,880 in FY 16 to \$5,930 in FY 17. She further noted that slide 10 also provides a history of the one-time funding appropriated by the legislature outside of the funding formula.

CO-CHAIR STORY related that her office worked with "legislative finance" to develop an inflation-adjusted chart, which she will be sharing with the committee.

MS. TESHNER addressed slide 11, titled "FY2021 Statewide Enrollment Comparison." She said the figures in the top half of the slide were also on slide 6, which she reviewed during the 2/24/21 committee hearing. She specified that the figures on the bottom half of the slide depict funding. The FY 21 Online Alaska School Information System (OASIS) update versus DEED's FY 21 projected shows a net increase of approximately \$25 million, a 2 percent increase. She noted that this is a 25 percent increase in the current fiscal year's budget. Regarding the data behind these numbers, she said 25 districts are estimated to receive an increase in their total state aid, totaling about \$54.5 million. Comparatively, the remaining 29 districts are estimated to receive a decrease in their state aid, totaling approximately \$29.4 million. A greater amount of state aid is going to districts than those that are going to receive a decrease, for a net increase of \$25 billion in the current year budget. She stated that the FY 21 OASIS update versus the FY 20 actual is showing a net increase of about \$38 million, a 3.1 percent increase. The FY 22 projected versus DEED's FY 21 projected is showing a net decrease of \$19.8 million, which isn't reflected on this slide. She pointed out that the current information in the column for FY 22 projected versus FY 21 OASIS from which DEED will pay is an almost \$45 million decrease. Comparing DEED's FY 22 projected to FY 21 projected, she continued, is a \$19.8 million decrease. She explained that these decreases are a result of students being projected to move from their correspondence programs back to brick and mortar

schools, whether in their community or if they've moved to another community.

8:27:46 AM

CO-CHAIR STORY commented that many districts believe students will be back if the decline in COVID cases continues, and are trying to plan for pretty much a full program. The districts, she continued, are projecting as closely as they can an adequate count so they will have those dollars in hand technically. She said she is trying to think of how to give districts some certainty in this uncertain time. Regarding the decrease of \$19 million for next year, she surmised that DEED is expecting many students to be back at their original brick and mortar schools

MS. TESHNER replied yes, based on what districts have reported for FY 22 the last column on slide 11 reflects that DEED is projecting comparatively to FY 21 OASIS about a 32 percent decrease in correspondence and an 8.8 percent increase in the regular ADM. While there is still a lot in flux, districts are definitely projecting a shift back to their brick and mortars. She said she has heard that a lot of families have had conversations with districts and have already put students back into a brick and mortar or are planning to for next year. The flip side, she continued, is that some families have children who have thrived in correspondence and so might stay there.

8:30:58 AM

REPRESENTATIVE PRAX inquired whether it is correct that the BSA number from this year determines the amount that the state will contribute for the next nine months.

MS. TESHNER responded by moving to slide 12, titled "Foundation Payments Process." She explained that AS 14.17.610(a) outlines the process for how districts receive their state aid and how it is distributed. Payments are processed on a monthly basis and are timed to arrive in a district's bank account by the 15th of each month. Payments on the first nine months of the fiscal year are calculated based on the prior fiscal year's foundation. For example, she continued, for FY 21 the first nine months of July-March are paid on the final FY 20 foundation, and for the remaining three months of April, May, and June, DEED recalculates and trues up based on the finalized current year foundation counts. So, for FY 21, these last three months will be based on the finalized FY 21 foundation counts. She said this ensures that when the fiscal year ends the districts will

have been paid what is due based on their current year actual reconciled average daily membership counts.

MS. TESHNER turned to slide 13, titled "Foundation Payments: Advances," and continued her answer. She said AS 14.17.610(c) provides that a district experiencing a large increase in student enrollment, and therefore expects a shortfall in funding, can request an advance on its anticipated finalized state aid funding. The department then adjusts its final three payments based on any advanced payment that is paid. To request an advance, she continued, a district must provide a written request to the department [that, at a minimum, includes the following information: copies of the last bank statements for all accounts; cash reconciliation prepared in the last 30 days; and a listing of investments with maturity dates].

[8:35:06 AM](#)

REPRESENTATIVE PRAX asked whether he is correct in surmising that the school districts which have experienced an enrollment decrease would receive funding at roughly the previous year's level until March, but then there could be a significant decrease comparatively in the last three months.

MS. TESHNER answered correct.

CO-CHAIR STORY related that in a presentation last week the Yukon-Koyukuk School District superintendent said the district already had over 200 of its 400-student increase go back to their neighborhood schools. She asked whether she is correct in understanding that since this happened mid-year there is not any funding that follows those students; it stays with Yukon-Koyukuk where the count was.

MS. TESHNER confirmed the aforementioned is correct.

[8:36:36 AM](#)

MS. TESHNER resumed her presentation and spoke to slide 14, titled "Federal Impact Aid Disparity Test." She explained that the federal government allows the State of Alaska to deduct 90 percent of allowable impact aid from the amount the foundation formula allocates to school districts. Per AS 14.17.410, the basic need minus the required local contribution minus the 90 percent of eligible impact aid equals state aid. This reduces the state's cost by an average of \$85 million per year. However, she noted, the state is only allowed to deduct the

federal impact aid if it has an equalized formula in accordance with federal law. The state must ask for permission from the federal government to take the impact aid payments into account. This is an annual certification that must occur not later than 120 days prior to the next fiscal year, so typically this is by the end of February. The current year certification for the prior fiscal year for FY 20 is due this Wednesday, 3/3/21. She said each year DEED performs the disparity test, which compares the high per revenue and low per revenue districts to each other. If the funding differential is not more than a 25 percent disparity between districts revenue per adjusted average daily membership (AADM), then the funding formula is considered equal, and the state is allowed to deduct the approximately \$85 million. This is the reason for why there is a 23 percent cap on the maximum local contribution, she continued, it is intended to ensure disparity does not exceed 25 percent. If the state fails the disparity test, the foundation formula would not be considered equalized, and the state would owe school districts that \$85 million. She pointed out that the state also could not deduct federal impact aid again in its formula until the federal government recertified the state's education funding system. Since the disparity test is performed after the end of the fiscal year, she added, this means that the state will owe the \$85 million for multiple years. For instance, if the state failed for FY 21, the results would be determined in FY 22, and the state could not get recertified until about FY 24. In this case, failing the disparity test could cost the state at least \$155 million - \$85 million over three years.

[8:39:45 AM](#)

CO-CHAIR STORY inquired about the state's latest disparity measure that will be coming out next week.

MS. TESHNER replied that DEED is in the process of finalizing that, so she doesn't yet have an answer.

CO-CHAIR STORY requested Ms. Teshner provide an idea of what it was last year or the prior year.

MS. TESHNER responded that she doesn't have the exact number, but it was below the 25 percent mark. In further response, she agreed to provide the committee with this year's number [when it is available].

CO-CHAIR STORY asked whether federal COVID-19 relief funds have been included in disparity calculations.

MS. TESHNER answered that they have not been included because they are outside that calculation.

[8:40:56 AM](#)

MS. TESHNER returned to her presentation and addressed slide 15, titled "Additional State-Funded Formula Programs." She related that two other state-funded programs, the pupil transportation and the residential schools programs, use the FY 20 and FY 21 enrollment counts to determine their FY 21 final grant amounts. The pupil transportation grant is determined based on the statutory formula in AS 14.09.010, she said, which takes the districts average daily membership, less their correspondence average daily membership, multiplied by the per student amounts that are set out in statute. The FY 21 appropriation is approximately \$77 million and the FY 21 estimated actual grants total about \$65.3 million, a decrease of \$11.7 million or 15 percent compared to what DEED projected to pay out of the pupil transportation program for this fiscal year.

MS. TESHNER explained that the residential schools program funding is also determined based on a statutory formula in AS 14.16.200. This funding has two parts. First is the residential stipend, which is a per pupil monthly stipend rate multiplied by nine months multiplied by the actual student count. Second is a one round-trip transportation reimbursement per student, which must be at the least expensive means between the student's community of residence and the school. The FY 21 appropriation for residential schools is about \$8.3 million, she reported, and the FY 21 estimated actual grants total \$2.4 million, a decrease of \$5.9 million or a 71 percent decrease. In a normal year there are 9 school districts that operate 10 approved programs, she pointed out. For FY 21, the current year, only four schools are up and operating, but at a reduced capacity, and that is in the Galena, Lower Yukon, Nenana, and Northwest Arctic school districts.

[8:44:09 AM](#)

CO-CHAIR STORY asked whether the residential schools program is participating in coming back up to the capacity in FY 22, so it would be \$8 million for the appropriation.

MS. TESHNER replied yes, she has been told that the districts are anticipating that their residential schools are planning for near capacity in the next fiscal year.

CO-CHAIR STORY inquired about the extent to which districts were able to save money on pupil transportation this year.

MS. TESHNER responded that DEED doesn't yet know whether districts were able to save any money on pupil transportation because DEED won't get their actual data for FY 21 until next November when their audits are due. In her conversations with a handful of districts, she continued, some are saying they weren't able to save anything with pupil transportation, especially with the decrease in funding.

CO-CHAIR STORY said she has heard that many districts used their school buses to deliver meals to neighborhoods and various other uses.

[8:45:37 AM](#)

REPRESENTATIVE HOPKINS offered his belief that several school districts stated last Friday that they didn't see any savings in their pupil transportation because a bus still had to run the same route even if a household along the route decided not to attend school. He asked whether the reductions in funding for the pupil transportation or residential schools programs were reflected in the governor's [12/15/20] budget or the amended budget.

MS. TESHNER answered no, neither one of these is projecting a decrease because DEED anticipates the programs will be at full capacity next year and the full funding will be needed.

[8:47:02 AM](#)

LACEY SANDERS, Director, Administrative Services Section, Department of Education and Early Development, provided the portion of DEED's PowerPoint presentation titled "COVID-19 K-12 Federal Relief Funding Overview." She displayed slide 16 and said she will be discussing the federal relief packages that have been allocated to DEED.

MS. SANDERS addressed slides 17-18, titled "Coronavirus Aid, Relief and Economic Security (CARES) Act Update." She said the CARES Act was signed into law on 3/27/20 and appropriated \$30.75 billion into the Education Stabilization Fund. This funding was allocated to three pots: One, about \$3 billion for the Governor's Emergency Education Relief Fund (GEER I Fund); two, about \$13.5 billion for the Elementary and Secondary School

Emergency Relief Fund (ESSER I Fund); and three, about \$14.25 billion for the Higher Education Emergency Relief Fund. She pointed out that she would speak only to the ESSER and GEER funds, given the University of Alaska is the appropriate agency to speak to the Higher Education Emergency Relief Fund. In response to Representative Prax, she clarified that the aforementioned allocations are for the national level.

8:49:40 AM

MS. SANDERS displayed slide 18 and outlined the State of Alaska's allocation of CARES Act funding for the ESSER I and the GEER I funds. She reported that Alaska's total allocation of ESSER I funding was \$38.4 million. Of that, a total of 90 percent or \$34.6 million was allocated to local education agencies (the school districts). It is available for school districts to obligate until 9/30/22, and as of 1/29/21 school districts had requested reimbursements totaling \$11.3 million. She explained that the school districts provide an application and a budget for their funding each year, and FY 20 was the first year the funding was available for expenditure. She said DEED is working through the FY 21 applications and requests submitted by the school districts, and this process will continue into FY 22 and FY 23. She noted that DEED, the state education agency, received \$3.8 million to award grants or contracts to address emergency needs resulting from the COVID-19 pandemic. One-half of 1 percent may be used for administrative costs, and this funding is available until 9/30/22.

MS. SANDERS continued on slide 18 and reported that Alaska's total allocation of GEER I funding was \$6.5 million. She said the purpose of this money is to provide emergency assistance as a result of the COVID-19 pandemic. The funding was available to the governor to allocate at his discretion and Governor Dunleavy allocated the funding as follows: \$3.7 million to school districts; [\$1.5] million to institutes of higher education; and \$1 million for competitive grant awards to education and education related entities.

8:52:05 AM

CO-CHAIR STORY requested Ms. Sanders elaborate on the \$3.7 million to school districts.

MS. SANDERS explained that the ESSER funding is required to be allocated to school districts based on Title I, Part A; however, a few school districts are not eligible for the title funding.

So, to allocate funding to all school districts and to bring them up to an amount that was equal to the veto reduction that was made in the prior year, \$30 million, the governor allocated funding to all school districts to bring them up to that minimum. In further response to Co-Chair Story, Ms. Sanders explained that Title I funding supports the low-income students and is based on federal law under the Every Student Succeeds Act. She offered to provide the committee with the specific allocation language from the federal guidance. She noted that in a few slides she would review each of the attachments in the committee packet, and the allocations to the school districts are included there.

MS. SANDERS addressed slides 19-21, titled "Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act Update." She said the CRRSA Act was signed into law on 12/27/20 and provided about \$82 billion of funding to the Education Stabilization Fund at the national level. She outlined how this funding was allocated: 1) Approximately \$4.1 billion went into the Governor's Emergency Education Relief Fund (GEER II Fund); 2) Approximately \$54.3 billion for the Elementary and Secondary School emergency Relief Fund (ESSER II Fund); and 3) Approximately \$21.7 billion for the Higher Education Emergency Relief Fund. She noted that the CRRSA funding has a different reference, GEER II and ESSER II, because they are accounted for separately from the CARES Act funds and they also have different allowable uses and periods of availability.

[8:55:53 AM](#)

MS. SANDERS moved to slide 20 and outlined the State of Alaska's allocation of CRRSA Act funding for the ESSER II and the GEER II funds. She reported that the State of Alaska's allocation of ESSER II funds was about \$159.7 [million]. The local education agencies, school districts, were awarded \$143.7 million. This funding is available for school districts to obligate until 9/30/23, she continued, and the funds may be used for expenditures dating back to 3/2020. She related that the department's online application for this funding was made available to school districts on approximately 2/15/21. She further reported that DEED, the state education agency, was awarded \$15.2 million of this funding to address emergency needs and, of this, [\$789,597] may be used for administrative costs and the funding is available until 9/30/23.

MS. SANDERS noted that ESSER II funds have an expanded list of allowable activities as compared to the CARES Act. These

activities are: 1) Addressing learning loss; 2) Summer programming such as summer schools; and 3) School facility repairs that reduce the risk of virus transmission and improve air quality. She related that DEED has received questions about water system upgrades and investments in Internet and broadband infrastructure, and federal guidance provides allowances for those. She pointed out that the school districts determine how their funding will be used. The department reviews the proposed plans and budgets, as well as the requests for reimbursements, to ensure that they follow the federal guidance for allowable uses. She added that the school district is also responsible for demonstrating that its plans for expenditures meet the federal allowable uses. She said DEED provides assistance on determining whether a use is allowable, and frequently addresses questions from the school districts on ideas or purchases that they want to make and determining that they are following the federal guidance.

[8:58:47 AM](#)

CO-CHAIR STORY surmised that addressing learning loss among students can be anywhere from extended summer school plans, to extended day plans during the school year, to tutoring, and to counselors for social and emotional learning needs.

MS. SANDERS replied yes, those are all ideas that have been discussed in the department.

CO-CHAIR STORY stated it would be important for the committee to hear from districts on how they are planning to use these funds as they go forward to help meet the needs of Alaska's kids. She said it's a multi-year process to get everyone back up to where they would like to be in their learning and to where families would like their children to be.

[9:00:26 AM](#)

MS. SANDERS resumed her presentation. She displayed slide 21 and reported that the State of Alaska's allocation for GEER II funding was \$8.2 million, which was broken into two parts. The first part is the Governor's Supplemental Allocation of \$2.8 million, which is available similar to the GEER I funding in that the governor will determine how the funding is allocated. She said no direction has yet been made on how this funding will be allocated; the governor has until 1/2022 to determine how those funds will be awarded. GEER II funds have allowable uses similar to those under the CARES Act, which includes preventing,

preparing for, and responding to the COVID-19 pandemic. She said the second part of GEER II is a new provision titled the Emergency Assistance for Non-Public Schools (EANS), for which Alaska was allocated \$5.4 million. This funding will be awarded to non-public schools in partnership with DEED, she explained. The application for this funding was made available on 2/12/21 and non-public schools have 30 days to submit their application. Ms. Sanders noted that non-public schools are not required to register with the department, making it difficult to provide a comprehensive list of eligible schools in Alaska. She said DEED conducted an extensive search, and Handout 9 in the committee packet is a list of schools that DEED has identified as non-public schools eligible for this funding. She cautioned that once the application period is closed there might be additional eligible schools identified.

9:03:36 AM

REPRESENTATIVE HOPKINS said this raises questions with Alaska's state constitution. He offered his assumption that while it is federal dollars coming in, they would need to be passed through within a budget to be a line item. He asked whether there are any concerns about how that would fit in with the constitution regarding no public funds for non-public schools.

MS. SANDERS answered that DEED worked with the Department of Law and it was determined that these federal funds coming to the state will be passed through the budget via the Revised Program Legislative (RPL) Process by the Legislative Budget & Audit Committee. Because the funding is to address immediate health and care of students and teachers in the school districts and that it's federal funding, there was not the concern of state funding being handed to non-public schools, she explained.

REPRESENTATIVE HOPKINS inquired whether the Legislative Budget & Audit Committee discussed on the record that this was not a concern given it was for public health and safety.

MS. SANDERS clarified that the funding request was made through the Legislative Budget & Audit Committee meeting. She said this concern with the funding to non-public schools was not discussed in that meeting; it was discussed prior to submission of the request for the RPL for that committee.

9:06:05 AM

MS. SANDERS returned to her presentation and addressed slide 22, titled "Total Education Stabilization Funds." She said the pie charts show what the State of Alaska has received in total from ESSER and GEER funds. She noted that DEED has provided handouts in the committee packet to address any detailed questions that the committee might have. She outlined each of the handouts as follows: Handout 3 is a summary of the allocation of all Education Stabilization Funds to the school districts, it includes both the CARES Act and the CRRSA Act with a breakdown of ESSER and GEER funding by school district. Handout 4 is the FY 21 state funded program changes by school district. It identifies the changes due to enrollment fluctuations and has the CARES Act and CRRSA Act funding impact by school district. Handout 4 also shows the FY 20 unreserved fund balances that were carried forward into FY 21, showing the overall net available to school districts in FY 21. This handout may address an earlier question that was asked about the identification of school districts having increases or decreases. Handout 5 shows the school districts expenditures as of the end of January [2021] for the CARES Act only. There are no expenditures for CRRSA funding since the application for CRRSA funding just became available. Handout 6 is the detail by account code for what has been spent by school district of the CARES funding for FY 20. Handout 7 is the FY 21 expenditures of CARES funding, which provides a deeper dive on how school districts are spending their funds. Handout 8 is a grant award list for the \$1 million that was awarded in the GEER funding. Handout 9 is the list of active non-profit private schools that DEED identified just before the application period went out.

CO-CHAIR STORY noted Handout 1 is the overview. She invited committee members to ask questions now or email questions to her office and she would get answers back to them.

[9:10:29 AM](#)

REPRESENTATIVE PRAX offered his understanding that the school districts decide how the CARES Act funding is spent. He asked whether the state would be on the hook if the districts spend the money in ways that the CARES Act does not allow.

MS. SANDERS confirmed it is correct that the school districts do determine how their funding is going to be spent. However, she continued, the school districts submit applications and budgets that are reviewed by DEED to ensure that that funding follows the federal rules and the federal guidance. School districts are not spending the money and then asking for reimbursements.

Rather, they submit plans on how they are going to spend their money and the department is approving those plans based on that federal guidance. Ultimately the school districts come back and ask for reimbursement of their funds once they've made the expenditure. This ensures there is no potential for spending to be outside what is an allowable use. There is a significant amount of dialog between the school districts and the department in requests or ideas that they have. There have been several instances in which an idea put forward resulted in DEED denying it for not being an allowable use.

REPRESENTATIVE PRAX asked whether the expenditure of CARES Act funding resulted in a reduction of expenses that the state would have paid for had that funding not been there.

MS. SANDERS replied that there was no reduction to the amount that was awarded to school districts through their normal state aid because they received additional CARES Act money.

CO-CHAIR STORY offered her understanding that this money is targeted to meet learning loss needs and many of the needs that have happened because of the pandemic. The money is not to maintain staffing; rather, that is what the state is doing with its foundation formula.

MS. SANDERS responded that's correct.

[9:14:17 AM](#)

REPRESENTATIVE PRAX recounted that a number of schools were closed last spring, and some didn't open for a couple months this fall. He asked if DEED is trying to determine whether that should have reduced some expenditures and thereby leaving an additional fund balance.

MS. SANDERS replied that she might not be the appropriate person to answer the question. There were times when schools were maybe closed to the public but providing online learning in lieu of, she explained. So while some savings could be expected during that time that they were closed, they probably had increased expenses as they transitioned. She said she would follow up further in writing.

CO-CHAIR STORY responded that an answer in writing would be helpful. She further requested that Ms. Sanders also include a description of the difference between supplementing schools with funds and supplanting education funds. She inquired whether

there are different criteria of allowable expenses between the different federal grants.

MS. SANDERS responded that she would provide the committee with a written terminology and definitions document created by DEED. She said the document includes the federal statutes regarding supplements and not supplant provision, and the definition and how that relates to CARES Act and CRRSA funding. She explained that non-replacement funds are also talked about, which are what the CARES Act and CRRSA are considered, meaning it is funding received that may not be used for government replacement. Additionally, she noted, the document includes a description on maintenance of effort requirement that the state is held to for both the CRRSA and CARES Act funding.

REPRESENTATIVE PRAX clarified that he understands that shifting to distance education requires staff to provide that service. But, he continued, it would seem that custodial and maintenance expenses related to the building not being used by students would be reduced, and money spent for any modifications would be paid by CARES Act funding. He said he is trying to determine how that worked and whether DEED has done any audit or monitoring of that.

MS. SANDERS said she would follow up, but it might be a better question for districts on how they are spending their money in the current year. The CARES Act funding was to address the COVID-19 pandemic and the CRRSA funding for the learning loss and modifications to the building to reduce transmission.

[9:19:41 AM](#)

MS. SANDERS concluded her presentation with slide 23, titled "Additional CARES Act Allocations." She noted that DEED received three other funding allocations: 1) The Child Nutrition Program received \$42.2 million for several food service programs. As of 1/29/21, \$28.3 million had been expended, with availability of this funding limited to the period of 3/2020 to 9/2020. 2) Libraries, Archives, and Museums was awarded \$66,000 from the Institute of Museum and Library Services for grants to museums and libraries throughout Alaska. As of 1/29/21, \$63,500 had been awarded. 3) The Alaska State Council on the Arts received an award of \$421,500 for grants to Alaskan artists. As of 1/29/21, \$385,800 had been awarded.

[9:21:46 AM](#)

CO-CHAIR STORY drew attention to Handout 4 and requested a description of what is meant by unreserved fund balance.

MS. SANDERS deferred to Ms. Teshner to provide an answer.

9:22:40 AM

MS. TESHNER stated she would speak to unreserved fund balances as she discusses the remaining slides in the presentation. She began the next part of her presentation, a highlight of the Anchorage, Fairbanks, Juneau, Kenai Peninsula, and Lower Kuskokwim school districts. She turned to slide 25, titled "District Snapshot: Anchorage School District," and reviewed the data for Anchorage. She explained that the columns at the bottom left of the slide depict the Anchorage district's CARES Act expenditures as of 1/28/21 and the percent spent, as well as CRRSA Act allocations, expenditures, and percent spent. She noted that DEED is just now receiving applications from districts for their budgets and narratives for the CRRSA money, so no districts have yet spent any of that money. She drew attention to the table in the lower right of the slide and said it shows the FY 20 Operating Fund ending fund balance, which is broken out between the reserved and unreserved portions, as well as the unreserved fund balance percentage.

MS. TESHNER explained that AS 14.17.505 and 4 AAC 09.160 relate to the fund balance in school operating funds and their operating budget. Per statute, a district may not accumulate in a fiscal year an unreserved portion of its year-end fund balance in its school operating fund - as defined by department regulations - that is greater than 10 percent of its expenditures for that fiscal year. Per regulation, all money in the year-end fund balance of a district's school operating fund are subject to the 10 percent limit described in AS 14.17.505(a), except for money in the following six categories: encumbrances, inventory, prepaid expenses, self-insurance, federal impact aid received, and any unexpended annual school allotment funds that have been provided, primarily the correspondence allotments. Ms. Teshner specified that these six categories are what DEED considers reserved categories, and anything else would be included in the unreserved category. The governor, she continued, issued the COVID-19 Disaster Order of Suspension No. 3, which suspended this statute and regulation for fund balance. It allowed school districts to retain more than 10 percent of their unreserved fund balance for the following year, so carrying over from FY 20 into FY 21 in response to COVID-19.

MS. TESHNER provided a glance at the FY 2020 audits for the 52 school districts that DEED has received to date. She said that, so far, 43 districts are reporting carrying over more than the unreserved fund balance at the end of FY 20 versus what they carried forward at the end of FY 19. In addition, 26 of these school districts are reporting an unreserved fund balance greater than 10 percent. She explained that in handout 4 the asterisks next to the unreserved fund balance are the 26 school districts that have a balance over 10 percent. This additional carryover are funds that the districts have available to help them address funding fluctuations in enrollment and addressing COVID-19 response.

[9:27:32 AM](#)

MS. TESHNER noted that the aforementioned is the data layout seen on each of the five district snapshots. She resumed her discussion of the Anchorage School District data on slide 25, and reported the following: Anchorage shows a 1,688.32 or 150 percent increase in its correspondence ADM from FY 21 projected to FY 21 OASIS data. About 170 students moved from the district's brick and mortar schools to its two correspondence programs, and about 2,800 students went to other statewide correspondence programs. Anchorage triggered hold harmless in FY 21 with an 11.19 percent decrease in its school size adjusted ADM from FY 20. Anchorage is estimated to receive about \$5.8 million less than its FY 21 projected foundation and \$8.1 million less than received in its FY 20 actual foundation. Anchorage has spent approximately 59 percent of its ESSER I allocation under the CARES Act and did not receive any allocation from DEED under the GEER I funds. Anchorage is expected to get about \$50 million in CRRSA funding under ESSER II. At the end of FY 20 the Anchorage School District reported a 10.34 percent unreserved fund balance in its district operating fund.

MS. TESHNER proceeded to slide 26, titled "District Snapshot: Fairbanks North Star Borough School District," and reported the following: Fairbanks shows a 2,647.8 or 20.6 percent decrease in its regular brick and mortar average daily membership, and a 665.1 or 248.2 percent increase in its correspondence ADM when comparing the FY 21 OASIS to the FY 21 projected numbers. The district's statewide correspondence program is called Building Educational Success Together (BEST). Fairbanks triggered hold harmless in FY 21 with a 16.59 percent decrease in its school size adjusted ADM compared to FY 20. Fairbanks is estimated to

receive about \$7.5 million less than its FY 21 projected foundation and \$5.7 million less than its FY 20 actual foundation. Fairbanks has spent about 65 percent of its ESSER I allocation and has spent approximately 41 percent of its GEER I allocation. The district is estimated to receive \$9.7 million in ESSER II funds under the CRRSA Act. At the end of FY 20, the Fairbanks North Star Borough School District reported a 4.71 percent unreserved fund balance in its district operating fund.

[9:31:39 AM](#)

MS. TESHNER displayed slide 27, titled "District Snapshot: Juneau School District," and reported the following: Juneau shows a 967.3 or 21.1 percent decrease in its regular brick and mortar average daily membership, and 377.8 or 1,208.7 percent increase in its correspondence ADM, a program called HomeBRIDGE. Juneau triggered hold harmless in FY 21 with an 18.09 percent decrease in its school size adjusted ADM. Juneau is estimated to receive about \$91,400 more than its FY 21 projected foundation and \$634,900 less than its FY 20 actual foundation. Juneau has spent about 8 percent of its ESSER I allocation and 18 percent of its GEER I allocation. Juneau is estimated to receive about \$2.4 million in ESSER II funding. At the end of FY 20 the Juneau School District reported a 5.49 percent unreserved fund balance in its district operating fund.

CO-CHAIR STORY offered her understanding that these funds can be used through 2023. She related that the Juneau School District's summer program this summer is going to cost \$800,000 and that is just one program. While there is a lot of money coming into the state, she opined, the scope of need is tremendous and it's important for each committee member to touch base with his or her district to learn what these numbers really mean and what the effort costs the districts. She said the committee is hoping to hear from districts in a future meeting.

MS. TESHNER responded that the districts are trying to spend the money wisely over the period to 2023 so many expenditures won't be seen yet because of the timeframe that the districts have to spend these funds. In the majority of cases, she explained, districts have already obligated the funds at the district level but haven't spent them, so a reimbursement at the state level is not being seen yet. These numbers don't reflect what the districts have already committed of their entire allocation. She noted that the handouts show how the districts are planning to spend that money.

9:35:43 AM

MS. TESHNER returned to her presentation. She showed slide 28, titled "District Snapshot: Kenai Peninsula Borough School District," and reported the following: Kenai shows a 1,754.84 or 22 percent decrease in its regular brick and mortar average daily membership, and a 933.75 or 115.3 percent increase in its correspondence ADM comparing FY 21 projected to the FY 21 OASIS. Kenai triggered hold harmless in FY 21 with an 18 percent decrease in its school size adjusted ADM. The district is estimated to receive about \$1.6 million less than its FY 21 projected foundation and \$2.6 million less than its FY 20 actual foundation. The Kenai Peninsula Borough School District has spent about 30 percent of its ESSER I allocation and is estimated to receive \$9 million in ESSER II funding. At the end of FY 20 Kenai reported a 9.63 percent unreserved fund balance in its district operating fund.

MS. TESHNER moved to slide 29, titled "District Snapshot: Lower Kuskokwim School District," and reported the following: Lower Kuskokwim shows a 26.25 or 0.7 decrease in its regular brick and mortar average daily membership from FY 21, and the district does not have a correspondence program. The district didn't see huge fluctuations in enrollment like others across the state. Since Lower Kuskokwim only saw a small percentage change in its school size ADM it didn't trigger hold harmless in FY 21. Lower Kuskokwim is estimated to receive about \$2.3 million less than its FY 21 projected foundation and \$158,500 less than its FY 20 actual foundation. The Lower Kuskokwim School District has reported spending about 50 percent of its ESSER I allocation and did not receive an allocation under GEER I. Lower Kuskokwim is estimated to receive \$13.6 in ESSER II funds. At the end of FY 20 Lower Kuskokwim reported a 5.02 percent unreserved fund balance in its district operating fund.

MS. TESHNER noted that slide 30 provides committee members with contact information for [Ms. Teshner, Ms. Sanders, and Ms. Hardin].

9:38:51 AM

REPRESENTATIVE HOPKINS offered his understanding that the COVID relief package passed in December 2020 included a total allocation of \$159 million to Alaska. He further understood Ms. Teshner to be saying that it is available for application to the state starting 2/15/21. He requested Ms. Teshner to explain why the allocations are so different from each other. For example,

he observed, Lower Kuskokwim with an ADM of about 4,000 will receive \$13.6 million in CRRSA funds; Kenai with an ADM of about 7,800 will receive \$11 million; Fairbanks is larger than that but will only get \$9.7 million; and Anchorage is the largest and will get \$50 million.

MS. TESHNER answered that the allocations for both the CARES Act and the CRRSA Act are based on Title 1 federal funding allocations to districts; they are not based on average daily membership. It is based on the poverty levels within districts. The Aleutian region and the Pelican and Skagway school districts do not receive any Title 1 funding and so do not technically qualify for CARES Act or CRRSA Act funding.

REPRESENTATIVE HOPKINS asked whether that was a state decision or a federal decision.

MS. TESHNER replied that it was a federal decision outlined in both Acts.

REPRESENTATIVE HOPKINS asked whether terminology guidelines were provided for what the differences are in CARES Act funds and CRRSA Act fund.

MS. TESHNER confirmed that the state's FAQs [frequently asked questions], as well as the federal FAQs, do address how the allocations are to be determined.

[9:41:48 AM](#)

REPRESENTATIVE GILHAM asked whether it would benefit administration if the funds were to follow the child given that some of the districts' numbers are going up and some are going down. He further inquired about the discrepancy between Ms. Teshner stating \$159 million came to Alaska in CARES Act funds while the commissioner stating \$185 million.

MS. TESHNER, regarding the first question, confirmed that if a district's enrollment fluctuates between the count period in October and the end of the fiscal year, a district is not receiving the funding if a student comes to that district in the second half of the year. She said that having funds follow the student would definitely be a policy call. Regarding the second question, she said there is \$182 million in COVID relief money from both the CARES Act and the CRRSA Act; the [\$159] million cited by Representative Gilliam is just the CRRSA Act.

[9:43:36 AM](#)

CO-CHAIR STORY commented that one of the issues involved with the money following the child is that districts have set contracts with their staffing to provide services for that child. She related that she has seen resolutions from school boards that particularly with a special needs child they wished money could be given to the new school district, especially when it is an intensive needs student, and the new district must hire someone on the spot to help with that student. She further related that this is a concern and has been a concern for several years.

MS. TESHNER added that districts already see increases and decreases in their enrollment counts throughout the year. Some have reported that that shift in enrollment is a net zero and so the funding matches what a district has. However, she allowed, this isn't always the case.

CO-CHAIR STORY pointed out that during this pandemic it has been an extreme swing.

MS. TESHNER concurred.

[9:46:24 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:46 a.m.